



Date: October 20, 2015

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Kevin Dick, Director - Office of Economic and Workforce Development

Subject: Potential Economic Development Incentive Agreement between the City of Durham and Frontier Communications of the Carolinas LLC

Executive Summary

This item describes an expansion project related to potential economic development incentives for job creation within the city limits between the City of Durham and Frontier Communications of the Carolinas LLC (Frontier).

Recommendation

The Office of Economic and Workforce Development recommends that City Council:

1. Hold a public hearing on the proposed economic incentive agreement per G.S. 158-7.1; and,
2. Authorize the City Manager to execute an economic development incentive agreement with Frontier Communications of the Carolinas LLC for a total incentive payment amount not to exceed \$64,500.00.

Background

Company Summary:

- Frontier offers broadband, voice, video, wireless Internet data access, data security solutions, bundled offerings and more. The company currently operates in 28 states and has more than 18,200 employees based entirely in the United States.
- Frontier has entered into an agreement with Verizon Communications to acquire Verizon's wireline business and assets in California, Florida and Texas. The transaction is expected to close at the end of the first quarter 2016.

Company's Options:

Frontier is seeking to locate a site for a new call center to support operations from the to-be-acquired markets. Employees will be performing business-to-business and customer service duties. Options to site the new call center are in the following locations:

- Florida
- South Carolina
- North Carolina
- Texas
- Utah

Issues and Analysis

Project Assumptions:

- Space Requirement Approx. 15,000 – 25,000 sq. ft.
- Capital Investment \$4,300,000.00
- 150 jobs over 2016 – 2018

The State of North Carolina Department of Commerce and the Economic Development Partnership of North Carolina are proposing an incentive offer in the form of a Job Development Investment Grant (JDIG) and it is being finalized. The State's offer would require an adequate local match (not necessarily one to one). Based upon that stipulation and based upon the parameters of the Economic Development Financial Assistance and Incentive Policy for Job Creation and Capital Investment, the maximum amount recommended is appropriate.

The project is slated to result in the creation of 150 jobs over the three year period from 2016-2018 and a total of 200 jobs by 2019 with a wage range of \$35,000.00 - \$70,000.00, including benefits. Benefits include medical, dental, vision and income protection insurances, as well as generous paid leave time, 401(k) savings with company match, profit sharing and tuition reimbursement.

Potential City of Durham Incentives:

Proposed offer is up to \$430.00 per job for 150 jobs for a total not to exceed \$64,500.00.

Frontier would be required to enter into a Durham Workforce Plan that would stipulate the use of the NCWorks Career Center for personnel recruitment and to utilize the Durham Based Business Plan in order to provide opportunities for Durham firms to enter into contracts.

Additional City of Durham assistance may include the offer of On the Job Training and Incumbent Worker Training grants, based upon funding availability and program suitability, as well as expedited permit approvals, subject to staff capacity and the approval of the City Manager.

Other Factors:

- Frontier currently has a presence in Durham and this incentive could create an opportunity for expansion;
- Telecommunications and IT is a coveted industry;
- There is significant evidence that not providing an incentive would result in the project occurring elsewhere;
- Company has been involved with the Durham community through:
 - Sponsorship of the State of Durham's Economy event;
 - Engagement with the Telecommunications and Energy Training Demonstration Project undertaken in conjunction with North Carolina Institute for Minority Economic Development (NCIMED); and
 - Support of the Durham YouthWork Internship Program.

Alternatives

Council could elect not to authorize the City Manager to negotiate an economic development agreement not to exceed \$64,500.00 or a lesser maximum amount and risk losing the potential creation of 150 jobs within Durham.

Financial Impact

The Office of Economic and Workforce Development is recommending up to a maximum of \$64,500.00. The Office of Economic and Workforce Development will allocate funding for this incentive each year from its annual budget as follows: \$43,000.00 set-aside in FY16, \$10,750.00 set-aside in FY 17 and \$10,750.00 set-aside in FY 18. This will allow the full incentive of \$64,500 to be paid in one lump-sum upon successful creation of 150 jobs in the three-year time period as specified in the incentive agreement.

SDBE Summary

This item is not applicable because no SDBE goals have been set for the item.

Attachments

Contract between Frontier Communications of the Carolinas LLC and the City of Durham Regarding Incentives for Job Creation within the City Limits, 8 pages.

Attachment A, 'Workforce Development Plan', 4 pages.

Attachment B, 'Durham-based Business Plan', 5 pages.